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ACTION



BRIEFING



INFORMATION

# Inter-Office Memorandum

Date: January 7, 1979<sup>80</sup>

For: Hazen Gale

From: R. Gerald Hoffman *RGH*

Subject: Press Reports on Presidential Carter's Speech

The following is a summary of the press reports concerning the President's nationally televised speech of January 4.

## 1. Presidential Statements

The President announced that the U.S. would sharply curtail grain exports to the Soviet Union, keeping them at the 8 million tons minimum required under the five-year grain agreement rather than allowing shipments of up to 25 million tons as previously authorized. This 17 million ton reduction will be made up of 4 million tons of wheat and 13 million tons of corn. The President also said he was:

- increasing military equipment, food and other assistance to help Pakistan defend itself;
- threatening to withdraw from the Olympic games in Moscow next summer;
- delaying the opening of new American and Soviet consular facilities;
- severely curtailing fishing privileges the Soviet have in U.S. waters.

-- *Cut off high technology exports*  
In connection with this announcement, the President also recalled U.S. Ambassador Watson from Moscow and asked the Senate to postpone debate on the SALT Treaty.

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## 2. Impact of the Embargo

### a. USDA's estimate

USDA estimates the impact of reducing U.S. grain sales to the Soviets by 17 million tons will be:

- a reduction in 1980 farm income by about \$3.0 billion;
- a reduction in the value of agricultural exports of about \$3.0 billion;
- a small decline in the 1980 consumer food price index of about 0.2 percent.

To offset the impact of U.S. farm income, the Administration will:

- make modifications in the reserve program to remove embargoed grain from the market;
- authorize the CCC to purchase up to 4 million tons of wheat;
- be prepared to offer paid diversion programs to grain farmers in 1980;
- propose amendments to the non-commercial risk assurances export credit program to make it a fully federally guaranteed credit program;
- support incentives to expand grain used in a national program to produce ethanol (fuel-alcohol) for gasohol.

These actions could be expected to offset the reduction in farm income, but also add \$2.5 to \$3.0 billion to budget outlays during FY's 1980 and 1981.

### b. Grain exporting companies

The major grain exporting companies estimate that the embargoed Soviet sales could mean a loss of up to "\$2 billion" in the next nine months for U.S. grain export companies. The dollar value of the estimated loss was attributed to a statement by former Assistant Secretary Secretary Richard Bell.

c. Soviet Union

The embargo of 17 million tons of grain bound for the Soviet Union will cause distress slaughter of Soviet livestock and poultry on the order of magnitude seen in 1975 because of the poor grain crop. If Soviet slaughter follows previous patterns, there will be a sharp reduction in poultry and hog numbers while cattle will try to be maintained at a lower feeding rate. Reduced livestock animal inventories in the near term also means some reduction in the longer term potential for U.S. feed grain exports to the Soviets.

3. Reactions

a. Other Grain Exporting Countries

The other major grain exporting countries do not have the capacity to fill the 17 million ton void left by the embargo of U.S. grain shipments to the Soviet Union even if they wished to do so. Australia and Canada have already pledged not to increase sales to the USSR in order to make up the shortfall. Indications are the Argentina and the EEC will also follow suit.

b. Farm organizations

- (1) Great Plains Wheat: President Michael Hall said the decision is a severe blow to U.S. wheat and corn farmers and also consumers. While he agreed that President Carter's assessment of the seriousness of the situation, he felt the U.S. economy was completely overlooked in making the decision.
- (2) National Farmers Union: President Tony Dechant said that the NFU recommended that USDA increase loan levels to help keep grain market prices from falling drastically.
- (3) American Soybean Association: Vice-President Frank Ray said ASA supports the government, but is generally opposed to using food as a weapon.
- (4) American Farm Bureau Federation: President Allan Grant said prior to President Carter's speech that the AFBF did not support any grain embargo except for national security actions. After the announcement, Mr. Grant indicated the action would be supported by the AFBF, though he characterized it as being too severe and difficult to enforce. He said some grain could be funneled through satellite countries such as Hungary, Romania and Czechoslovakia.
- (5) National Corn Growers: A spokesman said that while recognizing the seriousness of the situation, it did not feel a grain embargo was needed.

- (6) National Farmers Organization: President Devon Woodland said the NFO supports the decision of President Carter, but fears the economic hardship that would be faced by U.S. producers. He also cited the need to present the movement of grain to the USSR through third parties or countries.
- (7) American Agriculture Movement: Ohio spokesman Joseph Whitney said the AAM abhors the embargo action because it puts farmers in a position of economic stress. He said, however, that the U.S. has to take a stand.
- (8) National Association of Wheat Growers: NAWG sent messages to Congressional Agriculture Committee Chairman calling for hearings on the embargo.
- (9) National Corn Growers Association: President Russell Arndt characterized the decision to embargo grain sales to the Soviet Union as "the heaviest blow to agricultural producers, agribusiness and the agricultural community since the Great Depression." Therefore, NCGA has urged the Administration to allow 1979-crop corn to be eligible for the loan program at a rate of \$2.35 per bushel and also suggested the Administration consider a 1980 set-aside. Arndt also mentioned the difficulty of preventing transshipments to the USSR.

c. Congressional

(1) Rep. Thomas Foley (D-Wash): The Chairman of the Agriculture Committee called the embargo of U.S. grain sales to the Soviet Union an "ineffective method of countering the Soviet invasion of Afghanistan." He said an effective economic squeeze on the USSR should include industrial, technological, service and credit areas as well as agriculture. Foley also urged the Administration to find ways to compensate farmers for any losses as a result of embargo.

(2) Senate leaders: Senate Democratic leaders praised the President's action. Senate Majority leader Byrd said Carter's action was appropriate and he hoped that U.S. allies would support the measures. Senator Church said the action went "far enough to make the Russians feel the pinch".

Republicans farm state Senators were not as supportive. Senator Pressler (R-South Dakota) said he supports the general concept of the action but feels that farmers are being asked to pay the bill. Senator Dole criticized the President for rushing into action on Afghanistan to avoid saying something about Iran. Dole noted the severe impact on U.S. farmers unless the U.S. Treasury bails them out. Senator Baker said he did not feel an embargo on grain was the proper solution. Baker said, "food should not be used to determine the country's

4. Grain Exporters Meeting: The U.S. is calling an emergency meeting of the major grain exporting nations next week to discuss the coordination of efforts to ensure success of the U.S. grain embargo imposed by the U.S.; invitations sent to Canada, Australia, Argentina and the EEC, the major exporters with which the U.S. has been holding semiannual consultations on other grain export issues. It appears that all are likely to support the U.S. action.